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Working Documents

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DOCUMENT 461/77/ANNEX

OPINIONS

of the Committee on Budgets and
the Committee on Agriculture

On the Communication from the Commission of
the European Communities to the Council
(Doc. 394/77) on the supply of food aid in
the form of skimmed-milk powder and butteroil
to India for the second phase of 'Operation
Flood'

OPINION OF THE COMMITTEE ON BUDGETS

Letter from the chairman of the committee to Miss FLESCHE, chairman
of the Committee on Development and Cooperation

Luxembourg, 17 January 1978

Dear Madam Chairman,

At its meeting of 16 January 1978 the Committee on Budgets
considered this Communication from the Commission to the Council.

The Communication contains two proposals for Council
regulations laying down general rules for the supply of milk fats
and skimmed-milk powder as food aid to India under the 1978 food
aid programme. It will be remembered that the Committee on Budgets
has already examined the general food aid programme of the Community
and delivered an opinion thereon.

The purpose of the present proposals is to support the second
phase of the Indian Government's 'Operation Flood' project.

Present: Mr Lange, chairman; Mr Aigner and Mr Bangemann,
vice-chairmen; Mr Amadei, Lord Bruce of Donington,
Mrs Dahlerup, Mr Früh, Mr Notenboom, Mr H.W. Müller,
Mr Shaw, Mr Schreiber, Mr Vanvelthoven and Mr Würtz.

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It is hoped that the measures proposed will help in the long-term to strengthen India's milk-processing industry. Food aid is required

- (a) to expand the market for milk and milk products,
- (b) to facilitate the production of infant foods,
- (c) to help make good the country's edible oil deficit by supplying butteroil,
- (d) to promote the consumption of skimmed-milk powder and butteroil.

These objectives clearly accord with the approach favoured by the European Parliament.

With regard to the budgetary implications, these are shown in the financial record which forms Annex I, page 9, of the Communication. It is proposed that 186,000 t of skimmed-milk powder (31,000 t per year) and 76,000 t of butteroil (12,700 t per year) should be supplied. Since the Community's stock of butteroil is limited (only 45,000 t per year), the Commission does not propose that the Community should undertake to supply the full amount requested by the Indian government (114,000 t). This is regrettable and it is to be hoped that the smaller quantity provided by the Community will not jeopardize the entire programme. It will certainly be difficult to explain this shortfall to the Indian Government, considering the large surpluses in the European milk sector.

The total cost to the Community budget amounts to 83.57 million EUA for 1978.

As regards Item 9212, 'Butteroil programme for 1978', sufficient appropriations have been entered in the draft budget for this purpose. In the case of Item 9211, 'Skimmed-milk powder programme for 1978', the Council still has to decide on the necessary appropriations. The Council is urgently requested to agree to the Parliament's proposed amendment on this point; if it does so, the appropriations required for the above programme will be available.

The Community will finance this project jointly with the World Bank. The latter has been approached for a loan of almost 220 million dollars. As the Commission points out, such an arrangement could also provide a model on which to base the Community financing of comparable operations in future.

Altogether 7.11 MUA are provided for the supply of the 31,000 t of skimmed-milk powder and the 12,700 t of butteroil. The Committee on Budgets agreed that certain transport costs must be borne by the Community if its help is to be really effective. However, the committee is concerned about the level of the transport costs envisaged and requests the Commission to do all in its power to reduce them.

The Commission wants the Council to agree that the Indian Government should receive, together with the annual supplies of aid, a guarantee that the food aid will continue to be supplied in subsequent years in the same quantities. The proper means of giving such a guarantee would have been to enter commitment authorizations against the relevant budget items, thus enabling the Commission to provide a multiannual commitment. This proves once again how ill-advised the Council was to reject the Parliament's draft amendments relating to budget items 9211 and 9212. It is precisely in the area of commitments to third countries that commitment appropriations should be used in the budgetary procedure.

A further consideration is that the kind of Community food aid projects dealt with here ought to be a matter for the Commission to decide. It should only have needed to inform the budgetary authorities of its activities and to submit its general policy programme to the other institutions.

The need to wait each year for specific decisions by the Council on individual projects not only undermines the Commission's powers under Article 205 EEC, but also creates unnecessary delays.

I should be glad if the Committee on Development and Cooperation could take these observations into account when drawing up its report.

(sgd.) Erwin Lange

OPINION OF THE COMMITTEE ON AGRICULTURE

Letter from the chairman of the committee to Miss FLESCH, chairman of the Committee on Development and Cooperation

Luxembourg, 18 January 1978

Dear Miss Flesch,

At its meeting of 17 January 1978¹, the Committee on Agriculture considered the communication from the Commission to the Council on the supply of food aid in the form of skimmed-milk powder and butteroil to India for the second phase of 'Operation Flood' (COM(77) 541 final).

This aid represents Community help for the implementation of a vast and ambitious development programme drawn up by India and known as 'Operation Flood', the estimated cost of which will be around 550 million dollars. This programme, which is to be implemented with the help of various international bodies, is aimed at increasing production and consumption of milk and milk products. The Community's aid will consist in supplying, over six years, an annual quantity of 31,000 tonnes of skimmed-milk powder and 12,700 tonnes of butteroil. The role of this aid in the programme will be to contribute to widening the market for milk and milk products, to make possible the production of infant foods, to contribute to making good the country's edible oil deficit by selling butteroil in its natural state, and finally to make a significant contribution to financing the entire programme through sales of liquid milk reconstituted from skimmed-milk powder and butteroil.

The Committee on Agriculture fully approves of the provision of this aid to India and endorses the project without reservation. Food aid must not be regarded simply as providing a means of sustenance to a people in need or as a device for developing a market for the Community's agricultural products, but first and foremost as a means of enabling the country concerned to progress actively on the long road towards self-sufficiency. Food aid must therefore be treated as an active form of aid to development and the Committee on Agriculture considers this to be a formula worth using whenever possible.

(sgd) Roger Houdet
Chairman

¹ Present: Mr Houdet, chairman; Mr Hughes, vice-chairman; Mr Albertini, Mr Brugger, Mr Cifarelli, Mr Dewulf, Mr Durand, Mr Howell, Mr Joxe (deputizing for Mr Brégégère) and Mr Klinker.